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## Agenda Item 5b

October 18, 2011

**TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE**

- I. SUBJECT:** Review of Board Actuarial Policies
- II. PROGRAM:** Benefits and Program Administration
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

The purpose of this agenda item is to inform members of this Committee that the Actuarial Office is in the process of initiating a review of all Board Actuarial Policies in a revolving three year cycle. Over the last fifteen, the Board has approved over twenty separate Board actuarial policies. Some of these policies were adopted as early as in 1995 and have never been looked at since that time.

The purpose of these reviews is to ensure all Actuarial policies are current and that they continue to best meet the Board fiduciary duties and meet CalPERS mission and core values.

The first phase of the proposed three year cycle will begin this December. For this first phase, we plan to review the more general policies regarding funding methods and assumptions.

The second review is currently scheduled for June 2012. As part of the CalPERS 2011-2012 Business Plan, Objective 2.1, the Actuarial Office is currently reviewing the risk pooling structure. If changes to the existing risk pooling related Board policies are deemed necessary, these changes will be discussed at that time. Therefore, in June 2012, we plan to review all risk pooling related Board policies.

The third review is scheduled for December 2012. For this review, we intend to focus on policies that relate to amortization methods and asset smoothing. Over the next year, the Government Accounting Standards Board is expected to release new accounting standards related to financial reporting for pension plan. In addition, we expect some actuarial organizations to issue propose changes to model disclosures and methods related to the funding of pension plans. The review of our policies related to amortization and smoothing will take into account these expected changes.

In June 2013 during our fourth review, we will be reviewing past Board Decisions that were for the most part not written as formal policies. During the review process we will determine whether or not these decisions still apply today and if so determine if a Board actuarial policy would be more appropriate.

Finally, the last Board actuarial policies scheduled to be reviewed in the first cycle relate to plan termination policies. Some of these policies were recently implemented and/or revised. For this reason, they are scheduled for the end of our review cycle.

**V. RISKS:**

There are no known risks.

**VI. STRATEGIC PLAN:**

This item supports Goals I CalPERS Strategic Goals, to exercise global leadership to ensure the sustainability of CalPERS' pension and health benefit systems.

**VII. RESULTS/COSTS:**

The costs are expected to be part of the regular and ongoing workload of the Actuarial Office.

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